

UNCLASSIFIED

EH

Current Class: CONFIDENTIAL
Current Handling: n/a
Document Number: 1984BOGOTA13107

Page: 1
RELEASED IN FULL
Channel: n/a

CONFIDENTIAL

PAGE 01 BOGOTA 13107 01 OF 02 022144Z
ACTION EB-08

INFO	OCT-00	COPY-01	ADS-00	AID-00	INR-10	EUR-00	SS-00
	CIAE-00	DODE-00	H-01	EXIM-06	NSCE-00	ARA-00	NSAE-00
	COME-00	SSO-00	L-03	LAB-04	PM-10	EAP-00	INT-05
	OPIC-07	CEA-01	OMB-01	STR-14	SIL-01	INRE-00	FRB-03
	AGR-01	OES-09	ACDA-12	JUS-01	USIE-00	SP-02	DOEE-00
	SNP-01	PRS-01	SSA-02	/104 W			

-----277657 022153Z /60

O 022046Z NOV 84
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC IMMEDIATE 6524
DEPTTREAS WASHDC IMMEDIATE
INFO AMEMBASSY OTTAWA IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
AMEMBASSY BONN IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 BOGOTA 13107

STATE FOR EB/IFD/ODF, ARA/AND

TREASURY FOR OASIA/IDB, AID FOR PPC/DC

STATE PASS OTHER WGMA AGENCIES

E.O. 12356: DECL: OADR
TAGS: EFIN, CO
SUBJECT: PROPOSED IBRD LOAN FOR PETROLEUM DEVELOPMENT IN
- COLOMBIA

REFS: (A) BOGOTA 12634
- (B) STATE 324178N

1. CONFIDENTIAL - ENTIRE TEXT.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BOGOTA 13107 01 OF 02 022144Z

2. SUMMARY: EMBASSY INQUIRIES INDICATE THAT, WITHOUT
IBRD PARTICIPATION (AND PERHAPS EVEN WITH IT), ECOPETROL
AND OCCIDENTAL WILL HAVE A DIFFICULT TIME RAISING PRIVATE

Current Class: CONFIDENTIAL

Page: 1

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: JOHN L MILLS
DATE/CASE ID: 04 JUN 2003 200201334

UNCLASSIFIED

UNCLASSIFIED

Current Class: CONFIDENTIAL
Current Handling: n/a
Document Number: 1984BOGOTA13107

Page: 2
Channel: n/a

CAPITAL FOR THE CANO LIMON PROJECT. IT IS PROBABLE THAT WORLD BANK INVOLVEMENT WILL ACTUALLY CATALYZE RATHER THAN DISPLACE PRIVATE CAPITAL FLOWS. BECAUSE OF THE INTENSE, ONGOING PUBLIC DEBATE ON COLOMBIA'S RELATIONS WITH THE IMF AND ON PRIVATE SECTOR FOREIGN DEBT, U.S. OPPOSITION TO THE IBRD LOAN HAS BECOME A POLITICAL ISSUE. END SUMMARY.

3. UNDER CURRENT CIRCUMSTANCES, EMBASSY DOUBTS THAT MOST OF DEVELOPMENT OF THE CANO LIMON OIL FIELD CAN BE FINANCED BY PRIVATE CAPITAL. OUR CONVERSATIONS WITH ECOPETROL AND OCCIDENTAL OFFICIALS, THE PROJECT PARTNERS, RAISE SERIOUS DOUBTS ABOUT WHETHER PRIVATE CAPITAL IS AVAILABLE TO EITHER ENTITY FOR THIS PROJECT, PARTICULARLY IN THE SHORT TERM. MOREOVER, IT IS APPARENT THAT A WORLD BANK PRESENCE WOULD ENCOURAGE RATHER THAN DISPLACE ANY EVENTUAL COMMERCIAL BANK LENDING TO COLOMBIA'S OIL SECTOR.

4. OXY FINANCIAL OFFICIALS HAVE ACTIVELY, BUT UNSUCCESSFULLY SOUGHT PROJECT FINANCING FOR CANO LIMON ACCORDING TO OXY'S DIRECTOR OF PROJECT FINANCE, MIKE MILLER (PROTECT). IN A TELCON, HE TOLD EMBOFF THAT NONE OF THE U.S. BANKS THAT OIL COMPANY HAD CONTACTED WERE PREPARED TO EXTEND LOANS TO EITHER PARTNER, EVEN IF THEY WERE GUARANTEED BY OIL RESERVES. THE BANKS POINTED TO THEIR OVEREXPOSURE IN COLOMBIA AND THE COUNTRY'S SHORT TERM ECONOMIC PROBLEMS AS REASONS. AMONG THOSE APPROACHED WERE MANUFACTURERS HANOVER, BANKERS TRUST, BANK OF AMERICA AND BANK OF NEW YORK. CHASE MANHATTAN REP CONFIRMED TO EMBOFF THAT NO BANKS

CONFIDENTIAL

PAGE 03 BOGOTA 13107 01 OF 02 022144Z

ARE LENDING MEDIUM TERM CREDITS TO REPUBLIC OF COLOMBIA AT PRESENT. HE SAID THAT IN SPITE OF POSITIVE OUTLOOK FOR CANO LIMON PROJECT, BANKS ARE NOT WILLING TO DIFFERENTIATE BETWEEN REPUBLIC ITSELF AND ITS AUTONOMOUS STATE PETROLEUM COMPANY. HE CONFIRMED THAT WORLD BANK INVOLVEMENT IN CANO LIMON PROJECT WOULD ENCOURAGE RATHER THAN DISPLACE PRIVATE CAPITAL.

5. AS A RESULT OF ITS INABILITY TO OBTAIN PROJECT FINANCING TO DATE, ALL OF OXY'S INVESTMENT IN THE PROJECT HAS BEEN MADE WITH THE COMPANY'S EQUITY CAPITAL. MILLER SAID THAT OXY HAS NO NEGOTIATIONS IN PROCESS WITH BANKS FOR FINANCING EITHER PRODUCTION FACILITIES OR THE

Current Class: CONFIDENTIAL

Page: 2

UNCLASSIFIED

UNCLASSIFIED

Current Class: CONFIDENTIAL
Current Handling: n/a
Document Number: 1984BOGOTA13107

Page: 3
Channel: n/a

PIPELINE.

6. MILLER INDICATED THAT THE PARTNERS BELIEVE THAT TIMELY DEVELOPMENT OF THE RESERVOIR AND THE MAGNITUDE OF THE ASSOCIATED COSTS NECESSITATE WORLD BANK INVOLVEMENT IN THIS BILLION DOLLAR PROJECT. IN HIS VIEW, THE PROJECT WAS NOT POSSIBLE WITHOUT IT. HE NOTED THAT THE BANKS HAD INDICATED TO OXY THAT THEY WOULD CONSIDER THE PRESENCE OF THE WORLD BANK AS A "STEP IN THE RIGHT DIRECTION" TOWARDS BEING ABLE TO SYNDICATE A CANO LIMON LOAN. WITH THE WORLD BANK INVOLVED, THE PARTNERS COULD UNDOUBTEDLY RAISE A LARGE VOLUME OF CREDIT MORE RAPIDLY. THIS IS CRITICAL BECAUSE BOTH PARTNERS NEED TO COMPLETE THE OIL PRODUCTION FACILITIES AND THE PIPELINE AS SOON AS POSSIBLE IN ORDER TO GENERATE PART OF 500 HUNDRED MILLION DOLLARS FOR DEVELOPMENT COSTS NEEDED OVER THE NEXT 24 TO 30 MONTHS.

7. EMBOFFS ALSO SPOKE TO THE PRESIDENT OF ECOPETROL, RODOLFO SEGOVIA. HE STATED THAT IT IS WRONG TO ASSUME THAT ECOPETROL CAN EASILY BORROW FROM THE PRIVATE BANKS. HE RECALLED THEIR RECENT REFUSAL TO LEND TO CARBOCOL FOR

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BOGOTA 13107 01 OF 02 022144Z

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BOGOTA 13107 02 OF 02 022144Z
ACTION EB-08

INFO	OCT-00	COPY-01	ADS-00	AID-00	INR-10	EUR-00	SS-00
	CIAE-00	DODE-00	H-01	EXIM-06	NSCE-00	ARA-00	NSAE-00
	COME-00	SSO-00	L-03	LAB-04	PM-10	EAP-00	INT-05
	OPIC-07	CEA-01	OMB-01	STR-14	SIL-01	INRE-00	FRB-03
	AGR-01	OES-09	ACDA-12	JUS-01	USIE-00	SP-02	DOEE-00
	SNP-01	PRS-01	SSA-02	/104 W			

-----277671 022153Z /60

O 022046Z NOV 84
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC IMMEDIATE 6525
DEPTTREAS WASHDC IMMEDIATE

Current Class: CONFIDENTIAL

Page: 3

UNCLASSIFIED

UNCLASSIFIED

Current Class: CONFIDENTIAL
Current Handling: n/a
Document Number: 1984BOGOTA13107

Page: 4
Channel: n/a

INFO AMEMBASSY OTTAWA IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
AMEMBASSY BONN IMMEDIATE

C O N F I D E N T I A L SECTION 02 OF 02 BOGOTA 13107

STATE FOR EB/IFD/ODF, ARA/AND

TREASURY FOR OASIA/IDB, AID FOR PPC/DC

STATE PASS OTHER WGMA AGENCIES

E.O. 12356: DECL: OADR

TAGS: EFIN, CO

SUBJECT: PROPOSED IBRD LOAN FOR PETROLEUM DEVELOPMENT IN

THE EL CERREJON COAL MINE. HE THEN COMMENTED ON THE
130 MILLION WORLD BANK LOAN, SAYING THAT DISAPPROVAL
WOULD BE A MAJOR SETBACK FOR ECOPETROL BECAUSE THE LOAN
IS AN INTEGRAL PART OF ECOPETROL'S STRATEGY FOR
FINANCING ITS THREE BILLION DOLLAR, FIVE YEAR INVESTMENT
PROGRAM, INCLUDING CANO LIMON. THE STRATEGY IS BASED ON
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BOGOTA 13107 02 OF 02 022144Z

OBTAINING A COMBINATION OF WORLD BANK LOANS, PRIVATE
BANK COFINANCING AND SUPPLIER CREDITS. HE BELIEVES THAT
WITHOUT THE WORLD BANK, ECOPETROL WOULD HAVE GREAT
DIFFICULTY OBTAINING PRIVATE SECTOR CREDIT. SEGOVIA
REVEALED THAT ECOPETROL HAS PLANS TO NEGOTIATE A LOAN
SIMILAR TO THE RECENT FINANCIERA ELECTRICA NACIONAL
(FEN) COFINANCED LOAN, APPROVED IN JULY, 1984, AND NOW
BEING DISBURSED.

8. ON PRICING ISSUE, EMBASSY LEARNED FROM LOCAL WORLD
BANK REP THAT BANK ANALYSIS SHOWS THAT COLOMBIA'S
RETAIL PETROLEUM PRODUCT PRICES WERE ABOUT 10 PERCENT
BELOW WORLD PRICES AT MID-1984. FINANCE MINISTRY
SOURCES INDICATE THAT GOVERNMENT INTENDS TO RAISE
PETROLEUM PRODUCT PRICES BEFORE END OF THIS YEAR.

9. U.S. LOBBYING FOR OPPOSITION OF OTHER GOVERNMENTS
TO THE ECOPETROL LOAN HAS CAUSED A SERIOUS POLITICAL
REACTION HERE. SEVERAL SOURCES HAVE TOLD US THAT

Current Class: CONFIDENTIAL

Page: 4

UNCLASSIFIED

UNCLASSIFIED

Current Class: CONFIDENTIAL
Current Handling: n/a
Document Number: 1984BOGOTA13107

Page: 5
Channel: n/a

PRESIDENT BETANCUR IS VERY UPSET BY THIS ACTION AND THAT HE HAS SENT A MESSAGE ON IT TO PRESIDENT REAGAN. WE HAVE NOT SEEN THE TEXT BUT UNDERSTAND IT HAS GONE THROUGH SEVERAL REVISIONS AND HAS BEEN TONED DOWN SUBSTANTIALLY FROM REPORTED EARLIER VERSIONS. ECOPETROL PRESIDENT SEGOVIA IS AWARE OF THE DANGER OF INTRODUCING POLITICAL RHETORIC INTO WHAT IS ESSENTIALLY A TECHNICAL QUESTION BUT THE ISSUE IS NOW BEYOND HIS CONTROL BECAUSE OF CONVICTION AT HIGH LEVELS OF THE GOC THAT THIS LOAN IS BEING USED TO PRESSURE GOC ON BROADER POLICY ISSUES, INCLUDING RELATIONS WITH IMF. EVEN MORE SERIOUSLY, BETANCUR AND OTHER HIGH COLOMBIAN OFFICIALS APPEAR TO BELIEVE THAT PRIVATE BANKS ARE ENCOURAGING TREASURY TO OPPOSE THE IBRD LOAN TO ECOPETROL AS A WAY OF PRESSURING

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BOGOTA 13107 02 OF 02 022144Z

THE GOC TO GUARANTY COLOMBIAN PRIVATE SECTOR FOREIGN DEBT. TULL

CONFIDENTIAL

NNN

Current Class: CONFIDENTIAL

Page: 5

UNCLASSIFIED